LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7046 **DATE PREPARED:** Jan 23, 1999
BILL NUMBER: HB 1888 **BILL AMENDED:**

SUBJECT: PERF pension benefits.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the multiplier used in calculating pension benefits for a PERF member who retires after June 30, 1999, with at least ten years of service as a state employee is equal to 1.2% plus an additional 0.02% for each year of service that exceeds ten years. It provides that this increased multiplier also applies to employees of a PERF covered employer other than the state if the employer makes an election. The bill provides that the multiplier used for members of PERF who become disabled after June 30, 1999, with at least five but less than ten years of service is equal to 1.2%. (Current law provides that the multiplier for PERF members is equal to 1.1%.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: *NOTE: This is an estimate and will be updated upon receipt of more current data.*

The impact for PERF is shown in the table below:

	State	**Municipalities**	**Total**
Additional Unfunded Accrued Liability	$750 million	$867 million	$1,617 million
Additional Annual Funding	$80 million	$97 million	$177 million
Additional Funding as a % of Payroll	6.73%	5.69%	6.28%

The funds affected for the state are the State General Fund 55%,or $44 million and various dedicated funds 45%, or $36 million. The State General Fund contributes 55% of the personal services in the state, while various dedicated funds contribute 45%.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Those units that make an election to participate.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508.

The unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.

Funding is a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system